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**From:** Kean, Steven J.  
**Sent:** Sunday, August 12, 2001 11:09 PM  
**To:** Koenig, Mark; Kean, Steven J.; Lay, Kenneth

Attached are the drafts as of Sunday:



all employee memo.doc



Ken's voicemail.doc



Press release.doc



Q&A.doc



Jeff's comments.doc



## Interoffice Memorandum

To: Enron Worldwide

From: Ken Lay

Department: Office of the Chairman

Subject: Organizational Announcement

Date: December 23, 2002

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Today, the Board of Directors accepted Jeff Skilling's resignation as President and CEO of Enron. Jeff is leaving for personal and family reasons. Jeff's decision to resign is voluntary. I regret his decision, but I accept and understand it.

Now it's time to look forward.

I will resume the responsibilities of President and CEO and will continue as Chairman of the Board. I have never felt better about the prospects for this company. All of you know that our stock price has suffered over the last few months. But, our earnings have never been stronger; our business model has never been more robust; our growth has never been more certain; and most importantly, we have never had a better nor deeper pool of talent throughout the company. We have the finest organization in American business today. Together, we will make Enron the world's leading company.

On Thursday at 10:00 a.m. Houston time we will convene an all employee meeting. We will broadcast the meeting to our employees around the world. I look forward to seeing many of you there.

**Ken's voicemail**

Hello, this is Ken Lay.

Today, the Board of Directors accepted Jeff Skilling's resignation as President and CEO of Enron. Jeff is leaving for personal and family reasons. Jeff's decision to resign is just that: it was **his** decision and he is leaving voluntarily. I regret his decision, but I accept and understand it. I have enjoyed working with Jeff and continue to enjoy his friendship.

**[Jeff's future role?]**

*Now it's time to look forward.*

I will resume the responsibilities of President and CEO and will continue as Chairman of the Board. Although this was not my plan until a few days ago, *I have never felt more energized.* And, I have never felt better about the prospects for this company. All of you know that our stock price has suffered over the last few months. And we believe most of this decline was not justified. Our earnings have never been stronger; our growth has never been more certain; and most importantly we have never had a better or deeper pool of talent throughout the company. I believe we have the finest organization in American business today. Together, we will make Enron the world's leading company.

On Thursday at 10:00 Houston time we will convene an all employee meeting. We will broadcast the meeting to our employees around the world. I hope to see many of you there.

**DRAFT**

Mark Palmer  
(713) 853-4738

**ENRON ANNOUNCES SKILLING RESIGNATION;**  
**LAY ASSUMES PRESIDENT AND CEO DUTIES**

**COMPANY REITERATES STRONG EARNINGS OUTLOOK**

**FOR IMMEDIATE RELEASE: Tuesday, August 14, 2001**

**HOUSTON --** Enron announced today that its Board of Directors has accepted the resignation of Jeffrey K. Skilling, Enron's President and CEO. Kenneth L. Lay, currently Enron's chairman of the board, will assume the additional responsibilities of president and CEO.

"I am leaving for personal and family reasons. I want to thank Ken Lay for his understanding of this purely personal decision and I want to thank the board and all of my colleagues at Enron," said Skilling.

"We regret Jeff's decision to leave Enron, as he has been a big part of our success for over eleven years," said Lay. "But, we have the strongest and deepest talent we have ever had in the organization, our business is extremely strong, and our growth prospects have never been better."

Lay continued, "We remain confident that we will meet the recurring earnings estimates of \$.44 and \$1.81 per share, respectively, for both the third quarter and full year 2001 and remain confident of our recent projected increased earnings for 2002 of \$2.16 per share."

Lay served as Enron's CEO from 1985 until Skilling's election earlier this year. Lay transformed Enron from a regional natural gas pipeline company to one of the largest and most respected companies in the world. Over his fifteen years as CEO, Enron's market capitalization increased from \$2 billion to \$70 billion and Enron's shareholders received a total return three times that of the S&P 500.

(more)



Enron is one of the world's leading electricity, natural gas and communications companies. The company, with revenues of \$101 billion in 2000, markets electricity and natural gas, delivers physical commodities and financial and risk management services to customers around the world, and has developed an intelligent network platform to facilitate online business. *Fortune* magazine has named Enron "America's Most Innovative Company" for six consecutive years. Enron's Internet address is [www.enron.com](http://www.enron.com). The stock is traded under the ticker symbol "ENE."

This press release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Although Enron believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals will be achieved. Important factors that could cause actual results to differ materially from those in the forward looking statements herein include success in marketing natural gas and power to wholesale customers; the ability to penetrate new retail natural gas and electricity markets, including the energy outsource market, in the United States and Europe; development of Enron's broadband network and customer demand for intermediation and content services; and conditions of the capital markets and equity markets during the periods covered by the forward looking statements.

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## **Questions and Answers**

### **Who will replace Jeff ? How long will Ken continue as CEO?**

Ken will resume the President and CEO role, the position he filled very successfully from 1985 until earlier this year. While there are no current plans to elect a new President or CEO, Ken has indicated that given the depth of talent at Enron these positions will be filled from within Enron. To ensure continuity, Ken has agreed to extend his current employment agreement with Enron until December 31, 2005.

### **When Ken decided to relinquish the CEO title earlier this year wasn't he hoping to ease off a bit? Is he happy about becoming CEO again?**

Ken has stayed very much involved in Enron on a daily basis. He is more energized than ever and he is excited about leading the best management team and workforce in American business.

### **Why now? Wasn't Jeff just elected CEO earlier this year?**

Jeff was elected in February of this year. Jeff's decision was based purely on personal and family considerations. His departure is entirely voluntary.

### **Isn't Jeff divorced? Is this really about his family?**

This was a voluntary decision based on personal and family considerations. We are not discussing the details of those decisions.

### **Did the Board ask for Jeff's resignation in light of the poor performance of the stock?**

No. Jeff's decision to leave was entirely voluntary. The company is experiencing record earnings and record growth. The valuations across the sector and the

broader market have been down this year, but Enron's fundamental performance has never been better or stronger.

**Is there some problem with the company [does Jeff know something investors don't?]**

No. The company is in great shape; earnings and growth are at record levels; the depth of talent throughout the company has never been better. In fact, Jeff has indicated that he intends to continue holding Enron stock.

**Where is Jeff going?**

Jeff has indicated his intention to take time off to be with his children. He has no plans to join or start another business and indeed, has a one year noncompete in his current employment contract. He will remain as an advisor to Ken and to the Board.

**Many members of Enron's senior management were hired and promoted by Jeff.**

**Will they stay?**

Enron has developed a very strong and deep pool of talent. We have always relied on our strong internal pipeline of talent to fill senior positions in the company. We have a very strong senior management team. Ken has spoken with all the senior management and all remain committed to his leadership and to Enron.

**Several senior people have left Enron recently (Baxter, Pai, Bhatnager, Bannantine, etc). Is there a management shake up taking place?**

No. We have always had turnover at Enron as we have moved into and out of investments and businesses and, in some cases, as individuals have become

wealthy and decided to pursue other interests. In every instance we have been able to draw on our talent base and in every instance we have been able to continue our success.

**Where can I reach Jeff? Will he be talking to the media?**

Jeff would be happy to take calls from the press or others to discuss his decision.

**What were the terms of the severance package?**

Jeff left voluntarily. There is no severance payment or severance package.

**What is Ken's background? How long has he been with Enron?**

Lay, 59, became Enron's President and CEO in November 1985 and became Chairman, President and CEO in February 1986, following the creation of the company through the merger of Houston Natural Gas and InterNorth. Prior to his tenure at Enron, Lay had served as chairman and CEO of Houston Natural Gas, president and COO of Transco Energy Company, and president of Continental Resources Company. Lay also served as an officer in the United States Navy, and as Deputy Under Secretary for Energy in the U.S. Department of the Interior. He received a Ph.D. in economics from the University of Houston, and master's and bachelor's degrees in economics from the University of Missouri.

**What is Jeff's background? How long has he been with Enron?**

Skilling, 48, joined Enron in 1990 after leading McKinsey & Company's energy and chemical consulting practices. He became president and COO in December 1996 and has served on the company's board of directors since that time. Skilling received an MBA from Harvard Business School and a bachelor's degree from Southern Methodist University.



### Jeff's Comments

- “Like a lot of people in business, I’ve had a disproportionate focus on the company at the expense of myself and my family. I have found this to be an increasingly uncomfortable situation.”
- “The continued weakness of our stock price in the face of record earnings and growth has exacerbated the situation.”
- “The company is in excellent shape, our management depth is, by far, the best in the industry, and we are poised for what I believe will be the strongest growth the company has ever experienced with a prolonged uptrend in the stock. So I think that now is the time to do something – to move aside and let the company get on with a great future.”
- “I want to thank Ken Lay for his understanding, and the board, all my colleagues and fellow employees at Enron for building together the finest organization in the world, and my children for sticking with me – even when I wasn’t there a lot.”



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